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## **INTRODUCTION**

The Office of Internal Audit Services (OIAS) performed an audit of Oscoda and Montmorency County DHS for the period January 1, 2007 through April 16, 2008. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Oscoda County DHS had 14 and Montmorency County DHS 9 full-time equated positions (FTE's) at the time of our review. Oscoda County DHS provided assistance to an average 1,482 recipients per month in FY 2007, with total assistance payments of \$2,076,321.50 for the fiscal year. Montmorency County DHS provided assistance to an average 1,488 recipients per month in FY 2007, with total assistance payments of \$2,067,201.44 for the fiscal year.

OIAS examined the non-business office operations of Oscoda and Montmorency County DHS. All disbursements and cash receipts are submitted to the regional accounting office, also located in Oscoda County, for processing and recording on the Local Accounting System Replacement (LASR).

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Oscoda and Montmorency County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Procurement Card

CIMS/ASSIST/LASR

Payroll and Timekeeping

Cash Receipts

Cash Disbursements

Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

### **EXECUTIVE SUMMARY**

Based on our audit, we conclude that Oscoda and Montmorency County DHS internal controls need improvement to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Internal controls over CIMS and ASSIST access, and review of system input need improvement. Our audit disclosed no instances of noncompliance with control procedures for the Procurement Card, Payroll and Timekeeping, Cash Receipts, Cash Disbursements, Controlled Documents, or Client Intake Processing. We did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in two other areas, which are detailed below.

### **LOCAL OFFICE RESPONSE**

The management of Oscoda and Montmorency County DHS has reviewed all findings and recommendations included in this report. They stated in a memo dated July 10, 2008 and in subsequent telephone discussions and email correspondence their position on the Findings and Recommendations in the report. Their response will be addressed by County.

### **Montmorency County DHS**

The management of Montmorency County DHS agrees with the recommendations for findings #1, 2, 3, 4, and 5. Implementation of the recommendations for findings # 1, 2, 3, and 4 was taken during the onsite review. In addition, the Office Manager will also

be reviewing the MA-010 report and has provided the staff that reviews the MA-010 report copies of the PF-011 report to assist in identifying the operator IDs for staff. The photo copies relating to finding #5 were replaced with original vendor invoices.

Montmorency County DHS disagrees with finding #6, Missing Case Record Documentation for Direct Support Services Payments. In their memo dated July 10, 2008 they stated that several of the cases cited as not containing sufficient documentation/verification were examined by the FIM and found to contain the verifications cited. OIAS requested Montmorency County DHS staff to provide copies of these documents. OIAS did not receive the requested documentation because Montmorency County DHS was unable to provide the documents due to the lack of resources, therefore the finding and recommendation will remain in the report.

#### Oscoda County DHS

The management of Oscoda County DHS agrees with the recommendations for finding #4. Finding #5 does not apply to Oscoda County DHS.

Oscoda County DHS disagrees with Finding #1. They stated that the staff probably did not understand the questions asked relating to the review of the MA-010 report for transactions by the FIM or support staff. A new procedure has been implemented where the Office Manager will also be reviewing the MA-010 report and staff that review the MA-010 for FIM and support staff transactions will be provided a copy of the PF-011 to identify the operator # of the staff.

The initial responses to the interview questions revealed that staff were not reviewing the MA-010 report for transactions by the FIM and support staff. Therefore finding and recommendation # 1 will remain in the report.

Oscoda County DHS disagrees with Finding #2. They stated that the Security Coordinator has to occasionally back up FIMs with the job profile “280” and that any transactions that occur are pulled and reconciled with the Security Coordinator of Montmorency County or County Director.

The lack of appropriate duty separation introduces a significant risk that unauthorized modification of data could occur without being easily detected. The desired control for this is that the local office CIMS/ASSIST security coordinator does not have file maintenance in CIMS, update capability in ASSIST and does not reconcile any system transactions. There is no alternate control reported in the Local Office Internal Control Criteria. Therefore, finding and recommendation #2 will remain in the report.

Oscoda County DHS disagrees with Finding #3. They stated that fiscal staff is reviewing the VB9-173 report.

However, the reports on file were initialed by the ASSIST security coordinator. Therefore finding and recommendation # 3 will remain in the report.

Oscoda County DHS disagrees with finding #6, Missing Case Record Documentation for Direct Support Services Payments. In their memo dated July 10, 2008 they stated that several of the cases cited as not containing sufficient documentation/verification were examined by the FIM and found to contain the verifications cited. OIAS requested Oscoda County DHS staff to provide copies of these documents. OIAS did not receive the requested documentation because Montmorency County DHS was unable to provide the documents due to the lack of resources, therefore the finding and recommendation will remain in the report.

## **FINDINGS AND RECOMMENDATIONS**

### **CIMS/ASSIST Security**

#### **Oscoda /Montmorency-Inappropriate CIMS Job Status for Support Staff and FIMs**

1. Oscoda and Montmorency County DHS have assigned Client Information Management System (CIMS) status levels that are inconsistent with support staff and FIM job responsibilities. The support staff in both counties has “CRS” status on CIMS and "360" (Registration) job profiles on ASSIST. The FIMs in both counties have "FLM" (Update capability) status on CIMS.

Internal Control Criteria for DHS states that if a person has the ability to assign new case numbers and register applications in ASSIST and performs the full range of file maintenance transactions on CIMS, this one person has complete control of a transaction. FIMs are to be assigned inquiry status in CIMS.

Assigning the support staff a CIMS status that allows them to register and open cases and assigning the FIMs a status that allows update capabilities on CIMS does not allow for the proper separation of duties. For staff assigned a status level above inquiry on CIMS all of their CIMS transactions appearing on the Transaction Control Report (MA-010) are to be reviewed to ensure they are proper. Oscoda and Montmorency County DHS are not reviewing the Transaction Control Report (MA-010) for transactions by the support staff or the FIMs.

WE RECOMMEND Oscoda and Montmorency County DHS change the CIMS status of the support staff to inquiry or “IRG” only and the FIMs to inquiry only or have independent staff review all of the support staff and FIMs transactions that appear on the Transaction Control Report (MA-010).

## Oscoda/Montmorency-Inappropriate ASSIST Job Profiles for the ASSIST

### Security Coordinators

2. Oscoda and Montmorency County DHS has assigned an ASSIST job type to the ASSIST Security and Backup Security coordinators that is not required for their job responsibilities. Both ASSIST Security Coordinators have been assigned ASSIST job profile "280" which is the job profile designated for the FIMS.

Internal Control Criteria for DHS states that it is desirable to separate functions within any major DHS system. This includes the separation of computer security functions and authorization of file maintenance and security transactions.

Assigning the ASSIST Security Coordinators ASSIST job profiles not required for them to perform their duties increases the risk that unauthorized modification of data could occur without being easily detected.

WE RECOMMEND Oscoda and Montmorency County DHS remove the ASSIST "280" job profile from the ASSIST Security and backup Security Coordinators job profiles.

## Oscoda/Montmorency-Reconciliation of the ASSIST Security Officer's Log

### Report (VB9-173)

3. Oscoda and Montmorency County DHS has not established adequate separation of duties over the ASSIST security functions and the reconciliation of the transactions that appear on the ASSIST Security Officer's Log Report (VB9-173).

The ASSIST Security Coordinator for Oscoda and Montmorency County DHS reconciles the Security Officer's Log Report (VB9-173) with the ASSIST Enrollment Profile (DHS-3720) approved by the appropriate manager.

Internal Control Criteria states that the reconciliation is to be performed by staff that is not performing the ASSIST Security Coordinator function.

Allowing the Security Coordinator to reconcile the VB9-173 report with the DHS-3720 does not allow for the proper separation of duties and increases the risk of inappropriate transactions.

WE RECOMMEND Oscoda and Montmorency County DHS have staff that is not performing the ASSIST Security Coordinator functions reconcile the ASSIST Security Officer's Log Report (VB9-173) with the ASSIST Enrollment Profile (DHS-3720) signed by the appropriate manager.

Oscoda/Montmorency-Reconciliation of Case Openings, Re-openings and Warrant Rewrites

4. Oscoda and Montmorency County DHS does not have an independent person reconcile case openings, re-openings and warrant rewrites listed on the Transaction Control Report (MA-010) to the case file documentation, as required by the Primary Internal Control Criteria for DHS Local Office Operations.

This reconciliation is a process to verify and certify that transactions are justified and accurate based on case record documentation and eligibility.



WE RECOMMEND Oscoda and Montmorency County DHS have an independent person reconcile the case openings, re-openings and warrant rewrites listed on the Transaction Control Report (MA-010).

### **State Emergency Relief Payments (SER)**

#### **Montmorency-Incorrect Supporting Documentation**

5. Montmorency County DHS is not following established procedures for State Emergency Relief (SER) payments submitted to support staff for reconciliation with the DHS-849, 93 (A) Issuance Report (ES-440).

A review of 20 Montmorency County DHS transactions on the December 2007 ES-440 report disclosed three payments that had a photo copy attached. Examination of the case record also disclosed photocopies.

Local Office Internal Control Criteria requires an original invoice/bill or fax (with vendor identification) to be attached to the DHS-849/screen print forwarded to the reconciling staff for reconciliation with the ES-440 report.

Attaching the original invoice/bill/fax for the amount to be paid and a signed copy of the DHS-849/screenprint helps to ensure that payments are accurate and appropriate.

WE RECOMMEND Montmorency County DHS attach the original invoice/bill/fax to the Authorization Invoice (DHS-849)/screen print submitted to the support staff performing the reconciliation.

## **Direct Support Services**

### Oscoda/Montmorency-Missing Case Record Documentation

6. Oscoda and Montmorency County DHS have not followed established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS).

Eighteen Oscoda and Montmorency County DHS payments were selected for case record examination to determine that the case record contained the appropriate documents relating to the Direct Support Services payment. Six of the eighteen case records examined did not have all of the required documents. Five cases did not have proof of ownership for a car repair. One case did not have a valid drivers' license for a repair. One case did not have a copy of the invoice or estimate and another did not have the Employment and Training Expenditure Authorization (DHS-4663) on file.

Program Eligibility Manual 232 requires the case record to contain the documents in order to determine eligibility and to document the Direct Support Services payments.

Lack of the proper documentation to determine eligibility and support a payment increases the risk of improper payments.

WE RECOMMEND Oscoda and Montmorency County DHS follow established Direct Support Services policy in Program Eligibility Manual 232 and file all of the required documents in the case record.